

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

MAYES PROPOSED AMENDMENT 1

TIME/DATE PREPARED: March 21, 2005

COMPANY: Arizona Public Service Company

AGENDA ITEM NO. U-1

DOCKET NO. E-01345A-03-0437

OPEN MEETING DATE: March 24
and 28, 2005

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Amendment to Modify 4 mil Bandwidth Limitation From Per Year to Life of PSA

Page 16, line 16 after “ratepayers.”

INSERT: “Under the Settlement Agreement, the PSA would have a bandwidth that limits annual change in the adjustor of plus or minus 4 mil per kilowatt hour, with additional recoverable or refundable amounts recorded in the balancing account with the possibility of a surcharge if the balancing account reaches plus or minus \$50 million, if approved by the Commission. We believe that the annual 4 mil bandwidth change along with the opportunity for recovery of costs through a surcharge to collect the balancing account offers little incentive to APS to manage its fuel costs. In order to protect ratepayers and provide an appropriate incentive for APS to manage fuel cost, the 4 mil bandwidth change limitation should be modified to apply not on a per year basis, but instead as a limitation on the change in the adjustor rate over the life of the PSA. We will adopt an adjustor that collects/refunds the annual fuel costs that differ from the base year level, but with a total limit of 4 mil from the base level over the entire term of the PSA, with no recovery of costs through a surcharge.”